

Message Text

SECRET

PAGE 01 TOKYO 08602 01 OF 05 121255Z
ACTION EA-12

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 L-03
CIAE-00 INR-10 NSAE-00 MCE-00 EB-08 TRSE-00 OMB-01
ACDA-12 H-01 /075 W
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P 121222Z MAY 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 7886
INFO SECDEF WASHDC PRIORITY

S E C R E T SECTION 01 OF 05 TOKYO 08602

EO 11652: GDS
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SUBJECT: PURCHASE OF U.S. MILITARY EQUIPMENT

REF: (A) STATE 107384; (B) TOKYO 6215; (C) TOKYO 6216

SUMMARY: PROPOSALS REFTELS (B) AND (C) WERE NOT AIMED AT
PERSUADING JAPANESE TO ABANDON THEIR OWN R&D EFFORTS, NOR
WERE THEY INTENDED TO JUSTIFY A HARD SELL ON OUR PART FOR
"BUYING AMERICAN" TO RELIEVE TRADE IMBALANCES. WE WERE
SUGGESTING THAT, WHERE POLITICALLY FEASIBLE, COST-
EFFECTIVE EMPLOYMENT OF THE JDA'S LIMITED BUDGET WOULD BE
BETTER SERVED BY DIRECT PURCHASE AND/OR LICENSED PRODUC-
TION OF U.S.-DEVELOPED EQUIPMENT RATHER THAN COSTLY,
REDUNDANT DOMESTIC R&D PROGRAMS, AND THAT OUR UNWILLING-
NESS TO RELEASE CERTAIN TECHNOLOGIES IN THE PAST HAS BEEN
A MAJOR FACTOR IN COMMITTING FUNDS TO DOMESTIC DEVELOPMENT.
WE BELIEVE BY ENCOURAGING JAPAN AT THIS TIME TO CONSIDER
CERTAIN OF OUR SYSTEMS, THEY WILL DEVELOP CONFIDENCE RE-
GARDING OUR TECHNOLOGY'S AVAILABILITY AND POSITIVELY REACT
TO THE PERCEPTION CREATED. OUR DISCUSSION OF SPECIFIC
SYSTEMS WAS NOT INTENDED FOR USE AS A SHOPPING LIST, BUT
RATHER TO CALL TO WASHINGTON'S ATTENTION THE RANGE OF THE
JDA'S PRESENT INTERESTS. SPECIFIC REFTEL QUESTIONS ARE
SECRET

SECRET

PAGE 02 TOKYO 08602 01 OF 05 121255Z

DISCUSSED POINT BY POINT BELOW. END SUMMARY.

1. WORDING OF REFTEL INDICATES INTENTION OF REFTELS (B)
AND (C) HAVE BEEN MISUNDERSTOOD. FOLLOWING RESPONSES ARE
KEYED TO SUBPARAS REFTEL:

A. (1) WE DO NOT ADVOCATE THAT GOJ HALT ITS DEVELOP-

MENT EFFORTS AND SUBSTITUTE U.S. EQUIPMENT. JAPANESE MOTIVES--BOTH POLITICAL AND ECONOMIC--FOR MAINTAINING DOMESTIC PRODUCTION AS WELL AS R&D CAPABILITY ARE UNDERSTANDABLE AND IT IS NOT OUR INTENTION TO ATTACK SUCH A BASIC ELEMENT OF THE GOJ'S SECURITY POLICY. WE SUGGEST, HOWEVER, THAT IT IS IN BOTH SIDES' INTEREST TO EXAMINE CAREFULLY THE COSTS INVOLVED IN JAPANESE PROCUREMENT DECISIONS AND, TO SOME EXTENT, QUIETLY ENCOURAGE GOJ OFFICIALS NOT TO USE LIMITED DEFENSE BUDGET RESOURCES ON ELABORATE DOMESTIC DEVELOPMENT PROJECTS WHEN MORE COST-EFFECTIVE U.S.-DEVELOPED ALTERNATIVES COULD BE OFFERED FOR PROCUREMENT AND/OR LICENSED PRODUCTION.

- (2) OUR PROPOSAL TO EMPHASIZE U.S. DEFENSE EQUIPMENT ACQUISITION WILL IN NO WAY DETRACT FROM ANY COOPERATIVE R&D EFFORT; INDEED SALES/LICENSED PRODUCTION AND COOPERATIVE R&D ARE OR CAN BE COMPLEMENTARY. ALTHOUGH AN AGREEMENT BETWEEN DOD AND JDA WAS SIGNED IN 1966 TO "EFFECTIVELY PROMOTE RESEARCH AND DEVELOPMENT FOR DEFENSE PURPOSES BETWEEN THE JAPAN DEFENSE AGENCY (JDA) AND THE UNITED STATES DEPARTMENT OF DEFENSE (DOD) IN CONSIDERATION OF THE MUTUAL DEFENSE ASSISTANCE AGREEMENT BETWEEN JAPAN AND THE UNITED STATES OF AMERICA, SIGNED IN TOKYO ON MARCH 8, 1954," NEITHER SIDE HAS DONE MUCH TO IDENTIFY SPECIFIC PROGRAMS SINCE THE LATE 1960S. WHILE JDA HAS RECENTLY INDICATED A STRONG DESIRE TO EXPLORE AREAS WHERE R&D COOPERATION MIGHT

SECRET

SECRET

PAGE 03 TOKYO 08602 01 OF 05 121255Z

BE BENEFICIAL, THE REAL OBSTACLE STANDING IN THE WAY OF MEANINGFUL JOINT DEVELOPMENT IS THE QUESTION OF JAPAN'S ARMS EXPORT CONTROL AND ITS RELATIONSHIP TO PROGRAMS ENTERED INTO UNDER THE U.S./GOJ AGREEMENT. ALTHOUGH SOME JDA OFFICIALS HAVE INFORMALLY EXPRESSED CONCERN ABOUT A LEGAL CHALLENGE BEING RAISED BY THE POLITICAL OPPOSITION IF R&D COOPERATION RESULTED IN A FLOW OF PROTOTYPE EQUIPMENT AND DESIGN DATA FROM JAPAN TO THE U.S., NO ONE ON EITHER SIDE HAS EVER ENUNCIATED ANY ADVERSE RELATIONSHIP BETWEEN USING U.S. SOURCES FOR ACQUISITION OF DEFENSE EQUIPMENT AND THE PURSUIT OF COOPERATIVE R&D.

B. USG POLICY HAS CONSISTENTLY HELD THAT WE SHOULD NOT ATTEMPT TO DICTATE JAPAN'S LEVEL OF DEFENSE SPENDING; WE SEE NO REASON TO CHANGE THAT POLICY. BUT, WHATEVER THE ACTUAL SIZE OF THE JDA BUDGET, IT CAN IN MANY CASES BE SPENT MORE PRODUCTIVELY THROUGH DECISIONS TO PURCHASE AND/OR LICENSE-PRODUCE FROM THE U.S. RATHER THAN "REINVENT WHEELS." SUCH DECISIONS WOULD NOT DETRACT FROM THE JDA'S ABILITY TO IMPROVE ITS LOGISTIC POSTURE. ON THE CONTRARY, COST-EFFECTIVE SYSTEM ACQUISITIONS SHOULD ALLOW JAPAN TO DEVOTE MORE RESOURCES TO LOGISTIC SUPPORT WHICH IN MANY CASES ALSO

COULD BE PROVIDED BY DOMESTIC DEFENSE CONTRACTORS THROUGH PRODUCTION OF SPARES UNDER LICENSING ARRANGEMENTS.

C. THERE ARE BOTH LONG- AND SHORT-TERM ECONOMIC ADVANTAGES TO BE CONSIDERED IN PROPOSALS FOR DIRECT PURCHASE AND LICENSING. THE MOST OBVIOUS WOULD BE THE EFFECT ON OUR TRADE BALANCE FROM GOJ PURCHASES AND FEES. THERE IS ALSO THE POSSIBILITY OF LOWERED U.S. PRODUCTION COSTS ON SYSTEMS THAT BOTH FORCES PURCHASE. OVER THE LONGER RUN, A MORE IMPORTANT POINT, PERHAPS, IS THAT BY KEEPING A TECHNOLOGY

SECRET

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PAGE 01 TOKYO 08602 02 OF 05 121304Z

ACTION EA-12

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 L-03

CIAE-00 INR-10 NSAE-00 MCE-00 EB-08 TRSE-00 OMB-01

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TO SECSTATE WASHDC PRIORITY 7887

INFO SECDEF WASHDC PRIORITY

S E C R E T SECTION 02 OF 05 TOKYO 08602

AND PROCUREMENT PIPELINE OPEN WHILE QUIETLY PRESSING OUR CASE FOR COST-EFFECTIVENESS IN PROCUREMENT DECISIONS, WE CAN IN EFFECT DISCOURAGE A MAJOR EXPANSION OF JAPAN'S DEFENSE R&D CAPABILITIES--AN EXPANSION THAT MIGHT NOT ONLY DRAW JAPAN AWAY FROM THE CLOSE DEFENSE COOPERATION WE SEEK BUT PRESSURE IT INTO CONSIDERING SALES IN THE WORLD ARMS MARKET IN AN EFFORT TO RECOVER THE ENORMOUS INVESTMENT COSTS ASSOCIATED WITH SYSTEMS DEVELOPMENT.

D. THIS QUESTION IN REFTEL SEEMS TO ASSUME THAT WE CAN AND OUGHT TO SEPARATE CLEARLY THE SECURITY AND ECONOMIC ASPECTS OF OUR ARGUMENTS FOR QUALITATIVE IMPROVEMENTS IN JAPAN'S DEFENSE CAPABILITY. IT IS DIFFICULT FOR US TO SEE HOW THIS CAN ACTUALLY BE DONE. THE U.S. HAS ARGUED THAT COMPLEMENTARITY IN EQUIPMENT IS AN ESSENTIAL PART OF NOT ONLY UPGRADING JAPAN'S DEFENSE FORCES BUT ENSURING EFFECTIVE COOPERATION BETWEEN OUR FORCES AS WELL. OUR COMPARATIVE ADVANTAGE IN SUPPLYING NEW SYSTEMS THROUGH LICENSE OR DIRECT PURCHASE IS AN OBVIOUS AND UNDENIABLE PART OF THIS ARGUMENT. AN ATTEMPT TO TALK THE JAPANESE INTO DEFENSE PURCHASES BY

INVOKING THE HORRORS OF OUR TRADE IMBALANCE WOULD SEEM TO RUN COUNTER TO ARMS-TRANSFER POLICY AND COULD EASILY BE COUNTERPRODUCTIVE. WE ARE NOT PRESSING FOR THAT SORT OF APPROACH. IF THE U.S. AND JAPAN ARE AGREED THAT USE OF
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SECRET

PAGE 02 TOKYO 08602 02 OF 05 121304Z

COMPLEMENTARY SYSTEMS IS DESIRABLE IN TERMS OF SECURITY NEEDS, THEN WE CAN EASILY FOLLOW THROUGH WITH THE POINT THAT RATIONAL USE OF SCARCE JDA RESOURCES SHOULD OFTEN LEAD TO FAVORABLE CONSIDERATION OF PURCHASES AND LICENSING. WE KNOW THAT THERE IS AN UNDENIABLE RISK THAT LINKAGE OF SECURITY AND ECONOMIC CONSIDERATIONS COULD BE DISTORTED BY ELEMENTS OF THE JAPANESE PRESS AND OPPOSITION PARTIES. HOWEVER, ASSUMING CAREFUL HANDLING OF THE ISSUE ON BOTH SIDES, THIS CAN BE MINIMIZED. IN SHORT, OBVIOUS ECONOMIC ADVANTAGES TO THE U.S. RESULT FROM PROCUREMENT IN THE U.S., AND THE JAPANESE REALIZE THIS, BUT THEY SHOULD BE THE RESULT OF RATIONAL MUTUALLY BENEFICIAL DECISIONS, NOT THE REASON FOR THEM.

E. PROSPECT OF EC DEMANDS FOR EQUAL TREATMENT IN INCREASED JAPANESE PROCUREMENT OF DEFENSE MATERIALS IS NOT LIKELY TO BECOME A SERIOUS PROBLEM. AS LONG AS A COMBINATION OF U.S. AND DOMESTIC SOURCES CAN PROVIDE THE LATEST, MOST SOPHISTICATED EQUIPMENT THE JDA REQUIRES, IT HAS LITTLE REASON TO FURTHER COMPLICATE ITS LOGISTIC AND TRAINING BURDENS BY ACQUIRING COMPETITIVE EUROPEAN SYSTEMS. MOREOVER, THE U.S., NOT THE EC, HAS A SECURITY TREATY AND MUTUAL DEFENSE ASSISTANCE AGREEMENT WITH JAPAN, BOTH MADE MORE EFFECTIVE THROUGH COMPLEMENTARITY. JDA DEFENSE PLANNERS FIRST LOOK TO U.S. SOURCES FOR OFFSHORE PROCUREMENT OF NEW TECHNOLOGY DEFENSE SYSTEMS. IF RECENT JAPAN EC TRADE TALKS ARE AN INDICATION, WE DOUBT THAT THE EC ITSELF COULD OR EVEN WOULD WANT TO BRING ENOUGH PRESSURE TO FORCE A POLITICALLY MOTIVATED CHANGE IN THIS SITUATION.

2. OUR LIST IN PARA 3 REFTTEL WAS DEVELOPED TO BRING TO WASHINGTON'S ATTENTION THE RANGE OF SYSTEMS WHOSE DEVELOPMENT IS BEING PURSUED BY JAPAN. WHILE WE REALIZE THAT NOT
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SECRET

PAGE 03 TOKYO 08602 02 OF 05 121304Z

ALL OF THOSE LISTED MAY BE VIABLE CANDIDATES FOR U.S. SALE OR LICENSED PRODUCTION, THE FOLLOWING COMMENTS--SYSTEM BY SYSTEM--SHOULD PROVIDE A BETTER UNDERSTANDING OF HOW U.S. FOOT-DRAGGING, REAL OR IMAGINARY, ON THE RELEASE MATTER HAS BEEN PERCEIVED BY THE GOJ. WE BELIEVE THAT THIS PER-

CEPTION, MORE THAN ANYTHING ELSE, HAS LED JAPAN'S DEFENSE PLANNERS TO SPEND LIMITED DEFENSE MONEY ON DOMESTIC DESIGN EFFORTS. DOMESTICALLY-DEVELOPED SYSTEMS COST MORE THAN LICENSE-PRODUCED SYSTEMS, ARE IN MOST RESPECTS LESS EFFECTIVE, ARE NOT INTEROPERABLE, AND SUFFER FROM MUCH MORE RESTRICTED LOGISTIC SUPPORT BECAUSE OF THEIR ONE-OF-A-KIND-IN-THE-WORLD NATURE. COMMENTS WHICH FOLLOW RESPOND TO THE STATEMENTS OR QUESTIONS HAVING THE SAME LETTERED SUBPARAS UNDER PARA 2 OF REFTEL.

A. (1) NEC OPS-12. THIS ITEM IS A THREE-DIMENSION SEARCH RADAR ORIGINALLY DEVELOPED BY NIPPON ELECTRIC CO. (NEC) FOR USE BY JMSDF AVIATION-CAPABLE SHIPS (DDH'S). IT IS NOW IN COMPETITION WITH HUGHES AN/SPS-52C FOR USE ON NEW DDG'S. ORIGINALLY, MSO PLANS WERE TO HAVE 5 ESCORT FLOTILLAS EACH WITH 2 DDH'S, RESULTING IN 10 PLATFORMS FOR THE OPS-12 RADAR. WHEN THE NDC DISAPPROVED THE INCREASE FROM 4 TO 5 ESCORT FLOTILLAS IN DEC 76, MSO CHANGED ITS PLAN AND DECIDED THE STANDARD ESCORT FLOTILLA WOULD HAVE 1 DDH (AND 2 DDG'S AND 5 DD'S). THIS LEFT ONLY 4 PLATFORMS FOR THE OPS-12. THE DEVELOPMENT PROGRAM WAS TOO LATE FOR THE FIRST 2 DDH'S, SO ONLY THE 2 DDH'S STILL UNDER CONSTRUCTION CAN USE THE OPS-12 RADAR. THE SYSTEM FOR THE THIRD DDH WILL BE DELIVERED AND TESTED IN EARLY 1979 WITH THE ONE FOR THE FOURTH DDH COMING ABOUT A YEAR LATER. BECAUSE OF THE FACT

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PAGE 01 TOKYO 08602 03 OF 05 121314Z
ACTION EA-12

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 L-03
CIAE-00 INR-10 NSAE-00 MCE-00 EB-08 TRSE-00 OMB-01
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TO SECSTATE WASHDC PRIORITY 7888
INFO SECDEF WASHDC PRIORITY

S E C R E T SECTION 03 OF 05 TOKYO 08602

THAT ONLY TWO OF THE ORIGINALLY PLANNED 10 PLATFORMS WILL BE ABLE TO USE THE OPS-12, THERE IS STRONG PRESSURE ON MSO FROM WITHIN AND WITHOUT TO USE THE OPS-12 RADAR ON OTHER SHIPS. JAPAN'S NEW DDG'S, WHICH WILL ALSO REQUIRE 3-D

RADARS, ARE LOGICAL CANDIDATES. BECAUSE THE USN HAS STATED IT WILL NOT ACCEPT THE RESPONSIBILITY OF INTEGRATING THE OPS-12 INTO THE U.S.-SUPPLIED TARTAR WEAPON SYSTEM WHICH IS BEING BOUGHT FOR ALL OF JAPAN'S DDG'S, WE BELIEVE MSO MAY NOW OPT FOR THE SPS-52C FOR THESE SHIPS. YET, SO FAR, THE SPS-52C HAS NOT BEEN RELEASED TO JAPAN FOR SALE OR LICENSED PRODUCTION, SO DOMESTIC DEVELOPMENT OF THE OPS-12 CONTINUES AS DOES THE DEBATE AS TO WHETHER THE PROGRAM SHOULD BE EXPANDED TO INCLUDE THE ADDITIONAL DDG'S.

- (2) DOMESTIC SONAR: THE NEC OQS-4 IS COMPETING AGAINST THE USN AN/SQS-56 (RAYTHEON) FOR USE ON JAPAN'S NEW JFY 77 DD. MSO PREFERS THE USN SONAR AND WOULD LIKE TO BUY 1 OR 2 THROUGH FMS AND THEN LICENSE-PRODUCE THE REMAINING NUMBER (WE ESTIMATE 15 DD'S WILL BE BUILT OVER THE NEXT 10-12 YEARS). NEC HAS BEEN LICENSE-PRODUCING U.S. SONARS SINCE THE MID-1960S AND HAS BEEN INVOLVED WITH SURFACE, SUBMARINE AND OTHER SONARS SINCE THE 1930S. SO FAR, THE SQS-56 HAS NOT BEEN RELEASED TO JAPAN.

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SECRET

PAGE 02 TOKYO 08602 03 OF 05 121314Z

- (3) MITSUBISHI MK-73 LIGHTWEIGHT TORPEDO: JAPAN HAS BEEN DEVELOPING THIS TORPEDO SINCE 1972. IF THE PROGRAM IS SUCCESSFUL, IT WILL BECOME OPERATIONAL ABOUT 1985. THE MK-73 IS BEING DESIGNED TO MEET THE SAME MISSION PROFILE AS THE USN MK-46. MSO IS VERY MUCH INTERESTED IN THE MK-46, ESPECIALLY FOR USE WITH THE P-3C. JAPAN IS PRESENTLY USING A LICENSE-PRODUCED VERSION OF USN'S MK-44 TORPEDO, WHICH WAS DECLARED OBSOLETE BY OUR NAVY AS OF 1 OCT 77.

- (4) HSS-2B HELO: IT SHOULD BE NOTED THAT THE HSS-2B ASW HELO IS A JAPANESE LICENSE-PRODUCED, U.S.-DESIGNED SH3 SEA SPRITE. AT PRESENT IT IS THE MAINSTAY ASW HELO AND IS BEING USED BY JMSDF FROM SHIPBOARD 9DDH AND (DDH AND DD) AND FROM SHORE-BASED INSTALLATIONS. MSO IS PURSUING AN INTERIM UPGRADE PROGRAM FOR ITS SHIPBOARD AND SHORE-BASED MISSIONS UNTIL DATA ON USN LAMPS MKIII ARE AVAILABLE FOR REVIEW. THEREFORE, MSO WILL BE SEEKING DETAILED DATA ON USN'S NEW LAMPS MKIII. IF JAPAN ADOPTED THE LAMPS MKIII, WE BELIEVE THEY WOULD WANT TO LICENSE-PRODUCE IT IN JAPAN.

- (5) HEAVY MAT: GSDF HAS COMMITTED ITSELF TO THE ACQUISITION OF AIRBORNE TOW AS ONE OF THE PRIMARY WEAPONS TO SUPPORT ITS PLANNED DEVELOPMENT OF APPROX 56 COBRA HELOS. EVEN SO, WE BELIEVE DEVELOPMENT OF HEAVY MAT WILL CONTINUE, FOLLOWED BY LIMITED PRODUCTION THROUGH THE EARLY 1980S AT WHICH TIME THE JAPAN TOW MISSILE OR TOW FOLLOW-ON PROGRAM COULD BE EXPANDED FROM ACQUISITION OF ONLY AIRBORNE ANTI-TANK WEAPONS TO INCLUDE THE LICENSED PRODUCTION OF GROUND-

MOUNTED ANTI-TANK WEAPONS. WE HAVE BEEN ASSURED THAT THIS IS THE DESIRE AND PLAN OF THE GROUND STAFF OFFICE AT PRESENT.

- (6) ASM: JASDF IS PROCEEDING TOWARD DEVELOPMENT AND
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PAGE 03 TOKYO 08602 03 OF 05 121314Z

PRODUCTION OF ITS DOMESTIC ASM TO BE EMPLOYED WITH ITS F-1 SUPPORT FIGHTER AIRCRAFT. THE FIRST FIRING TESTS OF THE JAPANESE-DEVELOPED ASM WERE CONDUCTED IN DEC 77 AND THE FINAL R&D FIRINGS AGAINST MOVING TARGETS WILL BE CONDUCTED THIS MONTH. TWELVE OPERATIONAL TESTS ARE PLANNED FOR OCT 79-MAR 80. ALTHOUGH MITSUBISHI HEAVY INDUSTRIES (MHI) HAS BEEN AWARDED A DEVELOPMENT CONTRACT, A PRODUCTION DECISION WILL NOT BE MADE UNTIL JULY OR AUGUST THIS YEAR. WE ARE TOLD THAT MHI IS SEEKING A U.S. SMALL TURBO-ENGINE MANUFACTURER TO JOIN IN ORDER TO RESOLVE RANGE AND PROPULSION PROBLEMS RECENTLY ENCOUNTERED DURING DEVELOPMENT TESTING. JASDF HAS BEEN BRIEFED ON MAVERICK BUT HAS SHOWN LITTLE INTEREST, HOWEVER, IT DOES APPEAR AT PRESENT THAT HARPOON IS STILL BEING CONSIDERED AS A VIABLE BACKUP CANDIDATE.

IF ALLOWED TO LICENSE-PRODUCE THE ABOVE SYSTEMS, STOPPING PRODUCTION OF DOMESTIC DEVELOPMENT WOULD HAVE LITTLE IMPACT ON THE VIABILITY OF THE MILITARY INDUSTRIAL BASE.

B. (1) L-90 GUN: AS INDICATED IN MDO 120436Z APR 78, DEVELOPMENT AND DOMESTIC PRODUCTION OF A MECHANIZED UPDATED AIR DEFENSE SYSTEM USING THE L-90 35MM GUN AS THE WEAPON IS AN APPROVED PROGRAM, AND AT PRESENT THE GSDF HAS NO INTENTION OF SWITCHING TO THE U.S. SYSTEM (DIVADS). WE DO, HOWEVER, SEE THE POSSIBILITY OF COMMONALITY IN AMMUNITION AS AN OPTION IF THE U.S. DIVADS SELECTION EMPLOYS A 35MM WEAPON. CANDID DISCUSSIONS BETWEEN DOD AND THE JDA COULD BE VERY BENEFICIAL FROM BOTH A TECHNOLOGY AND PLANNING STANDPOINT.

- (2) ROLLS-ROYCE/OLYMPUS: DURING THE NEXT 3 YEARS, WE BELIEVE, POWER PLANT EVALUATION AND STUDY FOR MSDF FUTURE

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PAGE 01 TOKYO 08602 04 OF 05 121323Z

ACTION EA-12

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 L-03
CIAE-00 INR-10 NSAE-00 MCE-00 EB-08 TRSE-00 OMB-01
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P 121222Z MAY 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 7889
INFO SECDEF WASHDC PRIORITY

S E C R E T SECTION 04 OF 05 TOKYO 08602

SHIP PROGRAMS WILL INCLUDE A REVIEW OF THE SPECIFICATIONS FOR THE LM 2500. SINCE THE USN IS STRONGLY COMMITTED TO THE CONSTRUCTION OF SHIPS USING THIS PROPULSION SYSTEM, ADDITIONAL CONSIDERATION MAY BE GIVEN ITS USE BY THE JMSDF EVEN THOUGH THE ROLLS-ROYCE/OLYMPUS HAS BEEN SELECTED FOR USE IN JFY 77 DD AND DE.

C. (1) KV-107 HELO: LAST YEAR, JMSDF WAS SERIOUSLY CONSIDERING REPLACING THE KV-107'S USED FOR AIRBORNE MINE COUNTERMEASURES (AMCM) WITH THE RH-53D'S WHEN THE 53D WENT OUT OF PRODUCTION. MSO IS INTERESTED IN THE H-53E FOR SAME APPLICATION, BUT THE 53E IS QUITE EXPENSIVE AND MSO CANNOT JUSTIFY THE SWITCH TO THE NEWER E MODEL UNLESS GSDF AND JASDF ALSO IDENTIFY IT TO MEET THEIR REQUIREMENT. THE GSDF EXPECTS TO BEGIN REPLACING ITS MEDIUM-LIFT LICENSE-PRODUCED KV-107 (CH-46) HELOS WITH THE U.S. ARMY CH-47 HELO IN THE 1980 TIME FRAME; INITIAL PROCUREMENT MAY BE FMS, FOLLOWED BY LICENSED PRODUCTION. IN ANY EVENT, WITH ASSURANCE THAT WE WOULD SHARE OUR NEW TECHNOLOGY WITH THEM, JDA AND JAPANESE INDUSTRY WOULD BE HARD PRESSED TO JUSTIFY UNDERTAKING THEIR OWN NEW DEVELOPMENT.

- (2) MTEX: JASDF IS PRESSING TO REPLACE ITS AGED 180 T-33'S WITH A DOMESTIC-DEVELOPED/PRODUCED JET TRAINER. ALTHOUGH SO FAR THEY HAVE SHOWN LITTLE INTEREST IN A U.S. SECRET

SECRET

PAGE 02 TOKYO 08602 04 OF 05 121323Z

REPLACEMENT, SUCH AS THE ROCKWELL T-2, THE ROCKWELL AIRCRAFT FITS THEIR TRAINING REQUIREMENTS AND COULD BE LICENSE-PRODUCED AT A FAR LOWER COST. ALTHOUGH THE MTEX DOMESTIC DEVELOPMENT PROJECT HAS NOT YET BEEN AUTHORIZED, DEVELOPMENT OF THE TRAINER ENGINE HAS ALREADY BEGUN AND PRODUCTION GO-AHEAD FOR THE ENGINE COULD COME AS EARLY AS JFY 81. BOTH SIDES MIGHT BENEFIT FROM SOME TYPE OF SHARING R&D EFFORT AS THIS DEVELOPMENT MOVES ALONG.

D. (1) F-XX: DEVELOPMENT OF THE F-XX WILL NOT RESULT IN A SHIFT OF JAPAN'S DEFENSE POLICY BUT RATHER IS NECESSARY

TO REPLACE THE F-4EJ, WHICH WILL BEGIN AGE-OUT IN 1985. JAPAN IS EXPECTED TO CONTINUE ITS 10-SQUADRON INTERCEPTOR FORCES DURING THE POST-FOURTH DEFENSE BUILDUP PERIOD. ALTHOUGH THE F-XX IS NOT PRESENTLY A FUNDED PROGRAM, THE CONJECTURE IS THAT IT WILL BE A DOMESTICALLY DEVELOPED AND PRODUCED AIRCRAFT. U.S. CANDIDATES, THE F-18 IN PARTICULAR, WILL BE VIABLE CONTENDERS ONLY IF THEY WILL RESULT IN TECHNOLOGICAL EXPANSION OF JAPAN'S AIRCRAFT PRODUCTION BASE. OUR ASSURANCES NOW THAT WE WILL PROVIDE THE LATEST TECHNOLOGY/DESIGN DATA FOR FUTURE LICENSED PRODUCTION PROGRAMS MAY BE THE ONLY WAY TO CONVINCE JAPAN'S DEFENSE PLANNERS THAT THEY NEED NOT DEVELOP AN F-XX ON THEIR OWN.

- (2) AEGIS: MSO IS NOT ACTIVELY CONSIDERING AEGIS (THE FLEET AIR DEFENSE SYSTEM THAT IS THE FOLLOW-ON TO PRESENT TARTAR WEAPON SYSTEM (TWS)). AEGIS WILL USE THE SM-2 MISSILE CURRENTLY BEING DEVELOPED AS THE FOLLOW-ON TO THE STANDARD MISSILE USED IN THE TWS. WE ARE TOLD, HOWEVER, MSO IS INTERESTED IN ANY USN PLANS FOR UPGRADING THE TWS AND ANY USN PLANS FOR INTRODUCING AEGIS SINCE JAPAN HAS NO DOMESTIC PROGRAM IN THIS AREA. THUS, WE THINK THAT JAPAN WILL FOLLOW THE U.S. LEAD HERE. ALTHOUGH VTOL CARRIERS ARE SECRET

SECRET

PAGE 03 TOKYO 08602 04 OF 05 121323Z

AT PRESENT A VERY CONTROVERSIAL SUBJECT, NONETHELESS, PRESS REPORTS AND JDA COMMENTS INDICATE AN ONGOING DISCUSSION REGARDING POSSIBLE FUTURE ACQUISITION. IF JAPAN EVER DOES DEVELOP VTOL CARRIERS, AEGIS WOULD BE A LOGICAL ADDITION TO THAT PLATFORM.

E. TRANSPORT X: THE SUGGESTION THAT THE YC-14/15 COULD BE STRONG CONTENDERS TO REPLACE JAPAN'S DOMESTICALLY DEVELOPED C-1 WAS MADE PRIMARILY ON THE ASSUMPTION THAT THE AIRCRAFT WOULD BE IN THE USAF OPERATIONAL INVENTORY AND PRODUCED IN SIZABLE QUANTITIES BY THE MID-1980S. IF THIS OCCURS, IT WOULD MAKE THE YC AIRCRAFT A VIABLE LICENSED PRODUCTION CANDIDATE, WHICH COULD SATISFY JAPAN'S C-1 REPLACEMENT REQUIREMENT. WE KNOW THAT THE USAF FY 78 FUNDING HAS BEEN DROPPED FOR THE YC PROGRAM, YET WE ARE TOLD THE SPO WILL BE MAINTAINED THROUGH FY 79 AND USAF STILL HOPES FOR AN AFFIRMATIVE SELECTION DECISION DURING FY 79. IF THE USAF HAS AN OPERATIONAL YC BEING DEPLOYED AT THE TIME WHEN A FUTURE JAPANESE TRANSPORT X PROGRAM IS UNDER CONSIDERATION, THE U.S. PRODUCT WOULD RECEIVE SERIOUS CONSIDERATION BY THE JASDF.

F. PHOENIX: WE BELIEVE QUESTION WAS GENERATED BY AN ERROR IN OUR MESSAGE WHICH SUBSTITUTED PHOENIX FOR PHALANX. IF RELEASED TO JAPAN, MSO DESIRES TO USE PHALANX (CLOSE-IN WEAPON SYSTEM) IN THE SAME MANNER AS THE U.S. NAVY. REGARD-

ING PHOENIX, THERE IS A POSSIBILITY THAT THE JASDF MAY UPDATE THEIR NIKE-J SYSTEMS BY REPLACING THE HERCULES MISSILE GUIDANCE PACKAGE WITH THE PHOENIX MISSILE-GUIDANCE SYSTEM. LAST YEAR, AN ASO TEAM TRAVELED TO THE U.S. TO BE BRIEFED ON THIS APPLICATION. THEIR DECISION ON NIKE-J IS EXPECTED WITHIN A YEAR.

SECRET

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PAGE 01 TOKYO 08602 05 OF 05 121328Z
ACTION EA-12

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 L-03
CIAE-00 INR-10 NSAE-00 MCE-00 EB-08 TRSE-00 OMB-01
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P 121222Z MAY 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 7890
INFO SECDEF WASHDC PRIORITY

S E C R E T SECTION 05 OF 05 TOKYO 08602

G. (L) AIM-9L: LICENSED PRODUCTION OF THE AIM-9L IS CERTAINLY A VIABLE OPTION SINCE THE MISSILE WILL BE PURCHASED AS PRIMARY WEAPON FOR JAPAN'S F-15. RELEASABILITY GUIDELINES ARE EXPECTED TO BE REVIEWED IN THE PENTAGON DURING JUN 78, AND AT THAT TIME WITH JAPAN'S STRONG DESIRE TO PRODUCE THE LATEST DEFENSE EQUIPMENT, WE FEEL PRODUCTION RELEASE WOULD BE WARRANTED TO KEEP JAPAN IN LINE WITH NATO COUNTRIES EXPECTED TO PRODUCE THE MISSILE. IF RELEASED FOR PRODUCTION, JAPAN WILL LIKELY ASK FOR A LICENSE EARLY NEXT YEAR. IT SHOULD BE NOTED THAT JAPAN HAS DEVELOPED AND DEPLOYED THEIR OWN AAM-1 AIR-TO-AIR MISSILE AND HAS DEVELOPED THE FOLLOW-ON AAM-2. TECHNICAL TESTS ON THE AAM-2 HAVE BEEN VERY SUCCESSFUL, BUT THE MISSILE HAS NOT BEEN PLACED IN SERVICE DUE TO PAST FORECASTS OF HIGH PRODUCTION COSTS COMPARED WITH ACQUISITION COSTS OF U.S. SYSTEMS. NOW, JAPAN'S INDUSTRY CONTENDS THAT IF THE AIM-9L IS NOT RELEASED FOR LICENSED PRODUCTION, A DOG-FIGHT MISSILE COMPARABLE TO THE AIM-9L CAN BE DEVELOPED AND PRODUCED DOMESTICALLY AT MUCH LOWER COSTS.

- (2) AN/SQS-56: NO NEW INITIATIVES ARE VISUALIZED AT THIS TIME BEYOND THOSE RECOMMENDED IN OUR PREVIOUS MESSAGE (071035Z APR/TOKYO 05949). IN IT, WE SUGGESTED THAT THE OPPORTUNITY TO HAVE A USN SONAR SELECTED FOR THE LEAD SHIP

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PAGE 02 TOKYO 08602 05 OF 05 121328Z

OF A NEW CLASS OF DD'S (AND THE REMAINING 15 OR SO) MERITED SPECIAL CONSIDERATION FOR WAIVING STANDARD USN POLICY IN ORDER TO PROVIDE THE TECHNICAL INFORMATION MSO NEEDED TO MAKE THEIR SELECTION.

H. STINGER: REFTTEL QUESTION IS DIFFICULT TO UNDERSTAND SINCE IT IS OUR IMPRESSION THAT THE DECISION TO RELEASE STINGER TO JAPAN ALREADY HAS BEEN MADE. HQ DA (DAMI-DOS) MESSAGE 122247Z MAR 76 STATED IN PARA 3A THAT NDPC DIS-CLOSURE AUTHORITY FOR STINGER RELEASE WAS PROVIDED TO JAPAN, SWITZERLAND, UK, CANADA, NEW ZEALAND, AND WEST GERMANY. A MORE RECENT MESSAGE FROM DARCOM, 191340Z APR 78, PROVIDED STINGER DATA TO JAPAN IN RESPONSE TO A 13 FEB 78 MDO MESSAGE ASKING FOR PERFORMANCE AND P&B INFORMATION. WE ASSUME THAT INFORMATION WOULD NOT HAVE BEEN PROVIDED UNLESS RELEASE HAD BEEN AUTHORIZED FOR JAPAN BASED ON THE NEED TO IMPROVE THEIR AIR DEFENSE CAPABILITIES. OUR ASSESSMENT IS THAT DOMESTIC DEVELOPMENT OF A COMPETITIVE SYSTEM WILL CONTINUE TO BE FUNDED UNTIL ABOUT 1983, UNLESS STINGER IS OFFERED FOR LICENSED PRODUCTION OR UNLESS SOME SHARING OF TECHNOLOGY CAN BE ARRANGED WHEREBY OUR PARTICIPATION WOULD ASSIST JAPAN IN DEVELOPING A WEAPON HAVING SOME COMMONALITY WITH STINGER OR STINGER FOLLOW-ON. MANSFIELD

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